FINANCIAL HIGHLIGHTS

Six months ended August 31	1974	1973	% Increase
RENTAL INCOME	**$5,187,333**	$3,970,205	30.7%
NET RENTAL INCOME	**1,352,460**	1,001,345	35.1%
NET EARNINGS	**708,416**	617,844	14.7%
Per Share	**33.5¢**	29.4¢	13.9%
CASH FLOW FROM OPERATIONS	**1,857,130**	1,373,293	35.2%
Per Share	**87.7¢**	65.3¢	34.3%

QUARTERLY REPORT

Cambridge Leaseholds Limited, 18 King Street East, Toronto 1, Canada

Cambridge Leaseholds Limited

QUARTERLY REPORT
SIX MONTHS ENDED
AUGUST 31, 1974

Cambridge Leaseholds Limited

TO OUR SHAREHOLDERS

Results for the second quarter followed generally the excellent pattern shown in the first quarter report. At $5,187,333, rental income for the six months is 31% ahead of the figure for the comparable 1973 period. In addition, both direct operating expenses and administration costs are lower as a percentage of rental income.

In 1974 as well as 1973, a significant profit on vacant land was earned in the second quarter. The pre-tax land profit in the current year amounts to 14¢ per share compared to 10¢ per share in the prior year. The 1973 transaction was treated as a capital gain, whereas tax at full corporate rates has been provided on the 1974 gain, accounting for the proportionately higher corporate tax provision in this year's figures. As a result, net earnings for the six months show an increase of 15%, but because all income taxes are deferred and are not currently payable cash flow is up by 35% to over $1,850,000.

Since August 1st, we have completed our centres in Newmarket and Brantford and the expansion of Devonshire in Windsor. The first phase of the Burlington Mall expansion will open on this date, with the Eaton's store and the balance of the small shops to open in February 1975 as previously announced.

Construction of Place Vertu in Montreal is well advanced and all units should be complete and open in August 1975. This 650,000 square foot centre will contain three department stores—Sears, The Bay and K mart. Gerrard Square in Toronto is also well under way and the opening is scheduled for Fall, 1975. Sears, Eaton's Horizon and Steinberg's are the anchors in this innovative, in-city shopping complex.

With retail sales continuing to show significant increases and interest rates showing signs of easing, we are confident that growth in the shopping centre field will continue despite the pressures of inflation. Cambridge is well situated both as to staff and land holdings to profit from this continued growth.

October 30, 1974

Charles L. Tabachnick
President

COMBINED FINANCIAL STATEMENTS

SIX MONTHS ENDED AUGUST 31

(Unaudited, Subject to Year-End Adjustments)

5,187,333
466,555
5,653,888

STATEMENT OF EARNINGS

3,970,205
346,022
4,316,227

	1974	1973
RENTAL INCOME	**$5,187,333**	$3,970,205
Property operating expenses	**742,410**	670,846
Interest—long-term debt	**2,581,200**	1,837,528
—other	**641849**	105,523
Depreciation and amortization	**446,414**	354,963
	3,834,873	2,968,860
NET RENTAL INCOME	**1,352,460**	1,001,345
OTHER INCOME		
Development, leasing and management fees	**152,544**	118,749
Profit on sale of vacant lands	**297,441**	213,724
Gain on U.S. exchange	**12,139**	5,040
Interest and other	**4,431**	8,509
	466,555	346,022
	1,819,015	1,347,367
General and administrative expenses	**326,099**	261,312
Provincial capital taxes	**69,671**	48,931
Options and related expenses of abandoned projects	**12,529**	35,680
	408,299	345,923
INCOME FROM OPERATIONS	**1,410,716**	1,001,444
Income taxes, deferred	**702,300**	383,600
NET EARNINGS FOR PERIOD	**$ 708,416**	$ 617,844
NET EARNINGS PER SHARE	**33.5¢**	29.4¢

As of March 1, 1974, the company adopted the practice common in the industry of deferring the salaries and expenses of personnel directly related to development and leasing of new properties as a cost of properties currently under development. Formerly, these costs were included in general and administrative expenses of the company and charged against earnings in the period incurred. Figures for 1973 have been restated to reflect this change in accounting policy.

STATEMENT OF SOURCE AND USE OF FUNDS

	1974	1973
SOURCE		
Operations		
Net earnings for period	**$ 708,416**	$ 617,844
Charges to operations not requiring an outlay of funds:		
Depreciation and amortization	**446,414**	354,963
Income taxes, deferred	**702,300**	383,600
Other	**—**	16,886
CASH FLOW FROM OPERATIONS	**1,857,130**	1,373,293
New financing, mortgages on income-producing properties	**4,325,000**	5,000,000
Net increase in bank financing	**1,418,364**	2,519,192
Net increase in other liabilities less other assets	**1,640,507**	—
	$9,241,001	$8,892,485
USE		
Development of investment properties	**$8,530,981**	$6,982,856
Principal payments on mortgages, income-producing properties:		
Scheduled payments	**483,467**	362,617
Prepayments	**14,803**	14,790
Net decrease in other liabilities less other assets	**—**	1,363,542
Cash dividends paid	**211,750**	168,680
	$9,241,001	$8,892,485
CASH FLOW FROM OPERATIONS PER SHARE	**87.7¢**	65.3¢

Net earnings for the period and cash flow from operations for the period are greater by $45,775 or 2.1¢ per share (1973 restated, $33,865 or 1.6¢) and $91,275 or 4.3¢ per share (1973 restated, $67,465 or 3.2¢) respectively, than those figures which would have been reported had the former accounting practice been continued.